

DEPARTMENT OF STATE

Memorandum of Conversation

DATE: February 9, 1953

SUBJECT: Status of Trading Relationships with Japan

Bureau of
Far Eastern Affairs
FEB 11 1953
ASSISTANT SECRETARY
Department of State

PARTICIPANTS: ^{Howard C.}Mr. Adams, Vice President, Pacific Far East Line, Inc.,
918 Sixteenth St., N.W., Washington, D. C.
^{Herman}Mr. Yaras, President, Yaras & Company,
1206 South Maple Ave., Los Angeles, California
CP - Mr. Setser
NA - Mr. Fraleigh

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REVIEWED BY [Signature] DATE 9-30-52
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Mr. Adams vice-president in charge of Atlantic territory for Pacific Far East Line, Inc. called for the purpose of bringing in Mr. Yaras who is engaged in an export business with offices in California, the Philippines and Japan and who is expecting to make a trip to Japan shortly. Mr. Yaras wanted to make general inquiries about Japanese trade relations.

Mr. Yaras first asked about the status of the negotiation of the FCN treaty with Japan. Mr. Setser said we had been making good progress toward conclusion of the treaty and believed that the treaty could be concluded within the next few months. Mr. Setser described the general coverage of the agreement and provided Mr. Adams with copies of a recently negotiated commercial treaty in order to indicate to him the general nature of FCN treaties.

Mr. Yaras appeared to be interested principally in provisions concerning investments in Japan. Mr. Setser informed him that the Japanese appeared willing to take whatever steps they could in view of their balance of payments position to encourage foreign investment. Mr. Fraleigh mentioned the amendments to the Foreign Investment Law which were enacted by the Japanese in 1952 to assure new investors that they would be able to repatriate their earnings. We explained that in the current treaty negotiation certain questions still remained on the treatment of foreign investment, not only with respect to the right to repatriate earnings but also with respect to restrictions on investment of yen earnings in Japan. At the present time, we said, it is impossible to indicate what the provisions of the treaty will be.

Mr. Yaras

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Mr. Yaras was also interested in trade arrangements between Japan and the Philippines. He asked whether we were involved in the negotiation of the settlement between the Philippines and Japan of Japanese reparations obligations under the peace treaty, and whether we were involved in any expansion of the existing trade agreement between Japan and the Philippines. Mr. Fraleigh said that the negotiation of a settlement of Japanese obligations to provide reparations to the Philippines was a matter which was being left solely to the two governments. Mr. Yaras was reminded that the Philippines had not yet ratified the Japanese Peace Treaty. Mr. Fraleigh stated that he doubted that there had been any developments looking toward an expansion of the existing trade agreement between Japan and the Philippines, but that he would have to check into the matter with officers of the Department more directly concerned with Philippine-Japanese trade relations. Mr. Yaras desired definite information on this point.

C. Arnold Fraleigh

RJG
FE:NA:CAFraleigh:prg
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INCOMING TELEGRAM

Department of State

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FROM: Tokyo
TO: Secretary of State
NO: 2568, February 9, 3 p.m.

PRIORITY.

Action Taken
Control: 3263
Rec'd: February 9, 1953
Date of Action
Action Office Symbol
Name of Officer
Direction to DC/R

At dinner February 7 OGA, Chief Economic Affairs Bureau Foreign Office, informed Waring (and Foreign Minister Okazaki gave me similar explanation today) Japanese Cabinet had just concluded extraordinary session devoted to FCN treaty. Stating Cabinet position would be conveyed officially on February 9 or 10, he gave following informal summary:

- (1) Regarding national treatment investment yen profits by American firms, Cabinet will accept present wording draft treaty provided US will agree through exchange of notes or in protocol to postpone application for three years particularly with reference acquisition of shares on stock market. This action deemed necessary because widely held belief Japanese shares currently undervalued thus affording unprecedented investment opportunities.
- (2) Regarding Article VII, paragraph 2, cabinet voted accept present wording. It agreed National City Bank, Chase National Bank, Bank America and American Express Company, Inc., which recently granted permit, may engage in general banking business. For other corporations seeking permits operate in exempted fields, permission will be granted on basis reciprocity in accordance pertinent US State or Federal law.
- (3) Regarding government competition with private enterprise, Cabinet prepared offer foreign investors no more than national treatment. This position adopted because Cabinet would not extend privileges afforded government corporation to Japanese citizens hence unwilling accord aliens more favorable treatment believing such action political untenable.
- (4) Regarding conversion and remittance profits, Cabinet agreed on uniform treatment of capital whether invested before or after enactment foreign investment law provided remittance made in currency of investment. But news story February 8, carrying Okazaki account Cabinet decision states profit remittance subject government approval "will be facilitated to largest extent possible".

Comment: Because of informal preliminary character conversation

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-2- #2568, February 9, 3 p.m. from Tokyo.

all Embassy's views subject further discussions with Foreign Office. Embassy, however, presently inclined recommend acceptance three year waiting period for national treatment investment yen profits. Obviously preference would be for immediate application such provision but under Japanese proposal principle would be established with definite date for enforcement. Decision under point 2 apparently presents no difficulty. Problems of government competition appears likely become most serious negotiating point. Oda was informed national treatment would not (repeat not) afford American investors adequate protection against possibility ruinous competition which could destroy value investment. He replied Japanese Government would never indulge in such competition and was asked in return why then it would not be possible to provide against such possibility in treaty. After brief amicable discussion it was agreed postpone exchange views until more appropriate occasion. In previous conference Oda had suggested possibility protocol provision guaranteeing maintenance competitive prices by government corporation but was told this would not prevent favoring such corporation with government orders to detriment private enterprise, as for example in petroleum refining. Embassy believes formulation US position this point must await further elucidation by Japanese including any proposal they advance to meet need legitimate protection US investments. Comments on point 4 withheld pending clarification Japanese position including interpretation Article VII, paragraph 3. Will inform Department soonest of further discussions.

JAK:RVW-11

MURPHY

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